

Message Text

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ORIGIN AF-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 SS-15 NSC-05 SP-02

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 INT-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 /103 R

DRAFTED BY AF/C:MFGALLAGHER:GJB

APPROVED BY D:RPOATS

AF/C:EMARKS

AF: JJBLAKE

S/S - MR. SHANKLE

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R 150046Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

INFO AMEMBASSY LONDON

AMEMBASSY PRETORIA

AMEMBASSY TEHRAN

C O N F I D E N T I A L STATE 174803

E.O. 11652: GDS

TAGS: EMIN, EINV, CG

SUBJECT: STATUS OF SMTF COPPER PROJECT

REF: TEHRAN 5839 (NOTAL)

1. ON JULY 13, RAY W. BALLMER, EXECUTIVE VICE-PRESIDENT, AMOCO MINERALS, CALLED ON THE DEPUTY SECRETARY TO BRING DEPARTMENT UP TO DATE ON LATEST SMTF DEVELOPMENTS.

2. BALLMER STATED THE PARTNERS ARE IN AGREEMENT THAT SMTF NEEDS TO BE RESTRUCTURED, BOTH IN FINANCIAL AND MANAGEMENT TERMS. HOWEVER, THE PARTNERS HAVE NOT YET
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BEEN ABLE TO AGREE COMPLETELY ON THE SHAPE THIS

RESTRUCTURING WILL TAKE. PLANS NOW CALL FOR A FREE
STANDING COMPANY TO BE STAFFED WITH INDIVIDUALS FROM
THE SHAREHOLDERS AS WELL AS INDIVIDUALS HIRED DIRECTLY.
IT APPEARS THAT SIDNEY SPIRO, RETIRING CHAIRMAN OF
CHARTER CONSOLIDATED, WILL BE THE NEW CHAIRMAN. BALLMER
STRESSED, HOWEVER, THAT SPIRO WOULD REPRESENT ALL THE
SHAREHOLDERS AND NOT JUST CHARTER. BALLMER SAID THAT
ONE OF THE BASIC WEAKNESSES OF THE ORIGINAL ORGANIZATION
WAS THAT PEOPLE WERE RUNNING EVERYWHERE WITHOUT ANYONE
PULLING IT ALL TOGETHER. A REORGANIZATION WOULD THEN
STRESS COORDINATION WHILE OBTAINING THE NEED FOR

ANYONE TO ACT AS A PROMOTER.

3. BALLMER SAID THAT THE PARTNERS HAVE RESTUDIED THE
PROJECT AND NOW ESTIMATE THAT ADDITIONAL COST OF A 95,000
MT COPPER AND 4,600 MT COBALT OPERATION WOULD BE DOLS
630 MILLION WITHOUT TAKING INTO CONSIDERATION THE COST
OF MONEY. THIS COULD MEAN A TOTAL
COST OF OVER DOLS 900 MILLION. HOWEVER, BALLMER WAS
QUICK TO ADD THAT THESE ESTIMATES HAVE NOT BEEN
COMPLETED AND BEFORE RESUMING THE PROJECT THE PARTNERS
WOULD HAVE AN INDEPENDENT STUDY TO VERIFY THE COSTS DONE
BY AN OUTSIDE CONSULTANT. UNDER THIS PLAN PLANT SIZE
WOULD THEN BE ABOUT 50 PERCENT OF WHAT WAS ORIGINALLY
ENVISIONED.

3. BALLMER WAS NOT CERTAIN AS TO WHERE NEW CAPITAL
WOULD COME FROM FOR SMTF. HE DID, HOWEVER, DISASSOCIATE
THE PARTNERS FROM ANY PROPOSALS MADE BY TEMPELSMAN AND
SON IN TEHRAN LAST MONTH. BALLMER SAID THAT TEMPELSMAN
ACTED ON HIS OWN AND THAT AMOCO (AND AT LEAST ONE
OTHER PARTNER) HAS SERIOUS RESERVATIONS ABOUT ACCEPTING
IRAN AS A SHAREHOLDER.

4. BALLMER SAID THERE WOULD BE A MEETING OF THE
SHAREHOLDERS NEXT WEEK IN LONDON AND HE EXPECTED THAT
THE RESULTS COULD BE A SIGNIFICANT CHANGE IN THE
PRESENT SMTF MANAGEMENT STRUCTURE. HE PROMISED HE
WOULD GET BACK TO MR. ROBINSON AFTER THE MEETING TO GIVE
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HIM THE DETAILS. KISSINGER

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